

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
Caro, Michigan

Report on Financial Statements
June 30, 2007

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August 31, 2007

Independent Auditor's Report

To the Board of Education
Tuscola Intermediate School District
Caro, Michigan 48723

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tuscola Intermediate School District, as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents. These financial statements are the responsibility of Tuscola Intermediate School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of Tuscola Intermediate School District as of June 30, 2007 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2007 on our consideration of Tuscola Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages i through ix and pages 23 through 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education
August 31, 2007

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the primary government of Tuscola Intermediate School District's basic financial statements. The additional information on pages 26 to 48 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
CARO, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Tuscola Intermediate School District, located in Caro, Michigan is one of 57 Intermediate School Districts in the State of Michigan and serves the nine local school districts in Tuscola County. TISD has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34).

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

FINANCIAL HIGHLIGHTS

The overall condition of all funds remains stable for TISD and follow the state's current economy with reductions in categorical state grant funds and educational grants in general. This has necessitated Tuscola ISD to partner with neighboring ISDs in providing services in the Instructional arena for teachers and administrators. Over the past seven years, both staff and programs in Instructional Services have dwindled. Because of this, efforts began in 05-06 school year to offer a Student Achievement Model and Literacy Program Training to lead teachers in both Tuscola and Huron Intermediate School Districts, as a joint venture.

The assets of Tuscola Intermediate School District exceeded its liabilities at the close of Fiscal Year 2007 by \$10,941,073 (net assets). Of this amount, \$5,610,472 (unrestricted net assets) may be used to meet the District's ongoing obligations to students, taxpayers, and creditors.

The District's total net assets increased by \$639,472.

As of the close of the current fiscal year, the district's governmental fund reported combined ending fund balances of \$6,272,719 an increase of \$257,348 in comparison with the prior year.

At the end of the current fiscal year, the aggregated fund balance for the District's operating funds (general fund, special education fund, Tuscola technology education fund) was \$5,845,444 or 27% of the total expenditures (\$21,285,068) of these operating funds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction of the district's basic financial statements. The district's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and

3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the district's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the district's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The *statement of activities* presents information showing how the district's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

Both of the government-wide financial statements display functions of the district that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the district include instruction, support services, and transfers to locals and other services. The district has no business-type activities as of and for the year ended June 30, 2007.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The district, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the district fall within the governmental fund type category.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the district's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the district's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and

changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The district maintains six different government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special education fund and the Tuscola technology education fund, each of which are considered to be a major fund. Data from the other three government funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* on pages 26 and 27.

The district adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 3-7 of this report, with a reconciliation between the two types of statements on page 8.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-22 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary information for the district's major funds. Required supplementary information can be found on pages 23-25 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the supplementary information.

Our auditor has provided assurance in his independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Required Supplementary Information and the Supplemental Information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts in the financial section.

Government-wide Financial Analysis

The school district's net assets were \$10,941,073 at June 30, 2007. Of this amount, \$5,610,472 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the school district's ability to use those net assets for day-to-day operations.

District's Net Assets

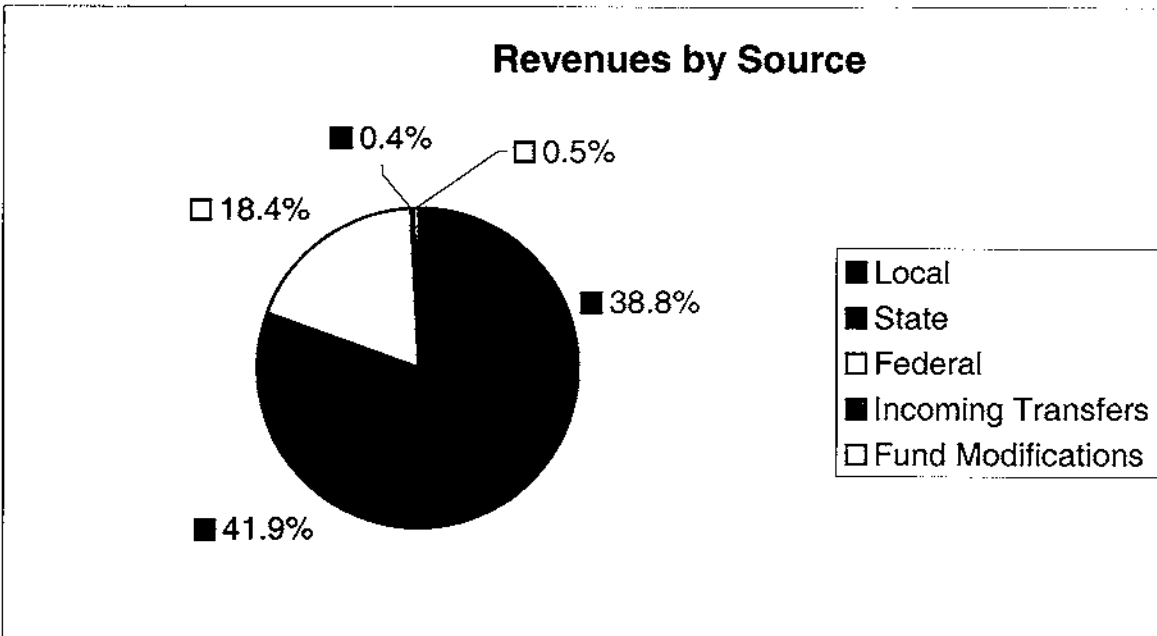
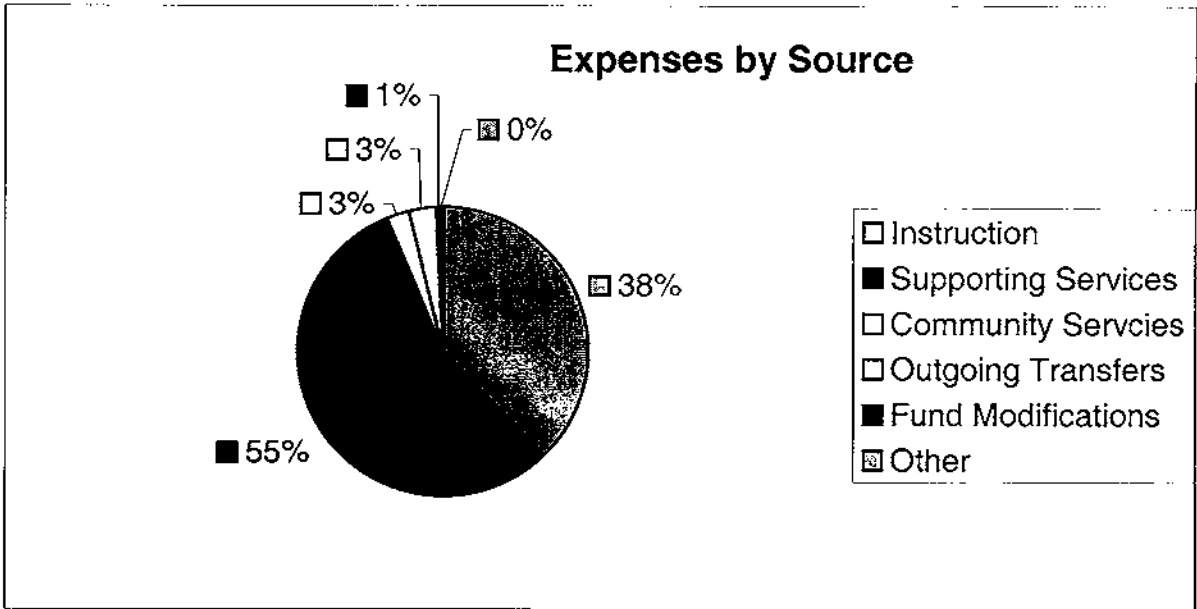
	June 30, 2006	June 30, 2007
Current assets	14,487,775	15,397,508
Non-current assets	7,138,832	6,752,775
Total Assets	21,626,607	22,150,283
Current liabilities	8,609,356	8,406,242
Non-current liabilities	2,715,650	2,802,968
Total Liabilities	11,325,006	11,209,210
Net Assets:		
Invested in capital assets, net of related debt	5,315,546	4,929,489
Restricted – Debt Service	297,413	401,112
Unrestricted	4,688,642	5,610,472
Total Net Assets	10,301,601	10,941,073

At the end of the current fiscal year, the District was able to report positive balances in all three categories of net assets, both for the District as a whole, as well as for its separate governmental-type activities.

District's Changes in Net Assets

Governmental Activities	June 30, 2006	June 30, 2007
Revenue:		
Program Revenue:		
Charges for services	1,840,962	1,819,676
Operating grants	6,955,919	6,777,616
General Revenue:		
Property taxes, levied for general purposes	6,201,830	7,286,948
Investment earnings	155,947	212,441
State sources	6,559,106	6,614,712
Other	583,032	573,498
Total Revenue	22,296,796	23,284,891
Expenses:		
Instruction	8,498,251	9,167,190
Supporting services	11,575,660	11,879,983
Food Service	92,852	105,133
Federal	0	
Community Services	423,278	466,325
Outgoing transfers and other	609,748	604,854
Interest on long-term debt	7,105	13,451
Unallocated depreciation	388,939	408,483
Total Expenses	21,595,833	22,645,419

Governmental Activities. Net assets increased by \$639,472 in 2006-2007. Net assets increased by \$700,963 in 2005-2006.



Major Governmental Funds Budgeting and Operating Highlights

The school districts budgets are prepared according to Michigan Law. The most significant budgeted funds are the general fund, special education fund, and the Tuscola technology education fund.

During the fiscal year ended June 30, 2007, the school district amended the budgets of these major governmental funds three times.

General Fund – The general fund actual revenue was \$1,382,546. That amount is above the original budget estimates of \$1,245,848 and below the final budget amendment of \$1,455,016. The actual expenditures and transfers out of the general fund were \$1,353,269, which was above the original budget of \$1,262,660 and below the final budget of \$1,474,406.

The variance between the actual, the original budget, and the final budget for both the revenues and expenses was the result of the Pea-Nut and the MiBLSi grants being added after the original budget was approved (\$100,468). The SDFSCA carryover and 06-07 budgets had to be adjusted. We received more for carryover funds than anticipated and had to spend and receive 75% of the 06-07 SDFSCA grant. The 25% balance will be used for the carryover grant in 07-08. There was an extra \$12,000 budgeted for the math science middle school program after the original budgets had been approved.

General fund had total revenues and transfers in of \$1,417,423 and total expenditures and transfers out of \$1,353,269 with an ending fund balance of \$464,832. This was an increase of \$64,154 over last year.

Special Education Fund- The special education fund actual revenue was \$15.5 million. That amount is below the original budget of \$15.8 million and below the final amendment of \$16.7 million.

The main reason that the final revenues were less than anticipated was due to a directive from our auditing firm to change accounting procedures related to state aid receivables. They have indicated that we should not accrue Section 52 and 53 revenues as in the past.

The actual expenditures and transfers out of the special education fund were \$15.47 million which is below the original budget of \$16.02 million and below the final amendment of \$16.25 million.

Final expenditures were less than anticipated due to cost-cutting measures, conservative budgeting practices, a contract settlement which deferred the vacation payoff over three years instead of one year, and a bus purchase deferred to 07-08 due to availability.

Special education fund had total revenue of \$15.5 million and total expenditures and transfers out of \$15.47 million with an ending fund balance of \$4.36 million.

Technology Education Fund- the technology education fund actual revenue was \$5.24 million. That amount is above the original budget of \$4.93 million and a little below the final amendment of \$5.28 million.

The actual expenditures and transfers out were \$5.19 million, which is slightly above the original budget of \$5.17 million and below but very close to the final amendment of \$5.22 million.

Technology education revenue was more than budgeted due to receiving more in property taxes, added cost, and the receipt of additional funds for Thumb Area Michigan Works! programs. TISD became the fiscal agent for Tech Prep and took in additional flow-through dollars which were disbursed to other Region 11 counties. The increase in revenue was offset by a decrease in Construction Technology resale revenue due to a house not being sold in 2006-07.

Technology education expenses were less as a result of not offering the Precision Machining program but were offset by an increase in expenses for the new programs with Thumb Area Michigan Works!

Technology education fund had total revenue of \$5.24 million and total expenditures of \$5.19 million with an ending fund balance of \$1,018,288.

Capital Asset and Debt Administration

Capital Assets – at the end of fiscal year 2006, the district had \$13.9 million invested in land, buildings, office, instructional, and transportation equipment. Of this amount, \$7.2 million in depreciation has been taken over the years. The district has net capital assets of \$6.75 million.

District's Capital Assets (Net of depreciation) June 30, 2007

	2005-2006	2006-2007
Land – not being depreciated	131,000	131,000
Buildings and improvements	10,510,931	10,510,931
Office and instructional equipment	2,029,651	2,009,586
Transportation equipment	1,242,725	1,281,025
Subtotal	13,914,307	13,801,542
Accumulated depreciation	(6,775,475)	(7,179,767)
Net capital assets	7,138,832	6,752,775

Additional information on the District's capital assets can be found on page 18 of this report.

Long-term Debt – at the end of the current fiscal year, the district had a total debt outstanding of \$1,823,286. Of this balance, \$323,286 is not a general obligation of the district and does not constitute an indebtedness of the district within any constitutional or statutory limitation, and is payable solely from state aid payments from the State of Michigan. The remaining balance of \$1.5 million represents general obligations of the district. Additional information on the District's long-term debt can be found on pages 20-21.

Economic Factors and Next Year's Budget

The economy in the State of Michigan continues to be sluggish with a little, if any increase expected in Section 81 funds. There continues to be significant increases in employer paid insurance and retirement costs. There also continues to be a lack of state categorical funding and state and federal grants. Tuscola Intermediate School District will continue current efforts and try to increase collaborative efforts in the Instructional Services area for the 2007-2008 school year with surrounding Intermediate School Districts. Many factors, including the state budget will impact the 2007-2008 budget as the year progresses.

Requests for Information

The financial report is designed to provide a general overview of the district's finances for all those with an interest in the district's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office, Tuscola Intermediate School District, 1385 Cleaver Road, Caro, MI 48723.

BASIC FINANCIAL STATEMENTS

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2007

	GOVERNMENTAL ACTIVITIES
ASSETS	
CURRENT ASSETS:	
Cash	\$ 626,839
Investments	11,590,150
Property taxes receivable	30,738
Accounts receivable	32,483
State Aid receivable	742,600
Due from other governmental units	2,374,698
	<hr/>
TOTAL CURRENT ASSETS	15,397,508
	<hr/>
NONCURRENT ASSETS:	
Capital assets	13,932,542
Less accumulated depreciation	(7,179,767)
	<hr/>
TOTAL NONCURRENT ASSETS	6,752,775
	<hr/>
TOTAL ASSETS	\$ 22,150,283
	<hr/>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
State aid note	\$ -
Accounts payable	512,900
Accrued salaries & benefits	998,334
Accrued interest	54,791
Accrued payroll taxes	261,372
Deferred revenue	6,578,845
Current portion of long term debt	
	<hr/>
TOTAL CURRENT LIABILITIES	8,406,242
	<hr/>
NONCURRENT LIABILITIES:	
Noncurrent portion of long term debt	1,823,286
Compensated absences	979,682
	<hr/>
TOTAL NONCURRENT LIABILITIES	2,802,968
	<hr/>
NET ASSETS:	
Invested in capital assets, net of related debt	4,929,489
Restricted for debt service	401,112
Unrestricted	5,610,472
	<hr/>
TOTAL NET ASSETS	10,941,073
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 22,150,283
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The accompanying notes are an integral part of the financial statements.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 9,167,190		\$ 3,942,739	\$ (5,224,451)
Support services	11,879,983	\$ 1,630,832	2,829,890	(7,419,261)
Community services	466,325	163,078		(303,247)
Food services	105,133	25,766	4,987	(74,380)
Transfers to other districts	604,854	-		(604,854)
Interest on long-term debt	13,451			(13,451)
Unallocated depreciation	408,483			(408,483)
Total governmental activities	<u>\$22,645,419</u>	<u>\$ 1,819,676</u>	<u>\$ 6,777,616</u>	(14,048,127)
General revenues:				
Property taxes, levied for general purposes				7,286,948
State sources				6,614,712
Investment revenue				212,441
Miscellaneous				<u>573,498</u>
Total general revenue				<u>14,687,599</u>
Change in net assets				639,472
Net assets, beginning of year				<u>10,301,601</u>
Net assets, end of year				<u>\$ 10,941,073</u>

The accompanying notes are an integral part of the financial statements.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	<u>SPECIAL REVENUE</u>		
	<u>GENERAL FUND</u>	<u>SPECIAL EDUCATION</u>	<u>TUSCOLA TECHNOLOGY</u>
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash	\$ 60,672	\$ 336,105	\$ 217,246
Investments	305,002	10,016,401	867,635
Accounts receivable	21,588	59	8,008
Due from other governmental units	236,259	1,789,711	330,420
Due from other funds	3	46,863	721
TOTAL ASSETS	<u>\$ 623,524</u>	<u>\$ 12,189,139</u>	<u>\$ 1,424,030</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES:			
State aid note	-	-	-
Accounts payable	\$ 23,060	\$ 415,576	\$ 71,468
Accrued salaries and benefits	-	769,552	225,376
Accrued interest	-	-	-
Accrued & withheld payroll taxes	5,968	192,320	61,500
Deferred revenue	113,559	6,449,367	15,919
Due to other funds	16,105	-	31,479
TOTAL LIABILITIES	<u>158,692</u>	<u>7,826,815</u>	<u>405,742</u>
FUND BALANCE:			
Unreserved:			
Designated for debt retirement			
Designated for compensated absences	84,115	619,823	265,854
Undesignated	380,717	3,742,501	752,434
TOTAL FUND BALANCE	<u>464,832</u>	<u>4,362,324</u>	<u>1,018,288</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 623,524</u>	<u>\$ 12,189,139</u>	<u>\$ 1,424,030</u>

The accompanying notes are an integral part of the financial statements.

OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 12,816	\$ 626,839
401,112	11,590,150
2,828	32,483
18,308	2,374,698
-	47,587
<u>\$ 435,064</u>	<u>\$ 14,671,757</u>

\$ 2,796	\$ 512,900
3,406	998,334
-	-
1,584	261,372
	6,578,845
3	47,587
<u>7,789</u>	<u>8,399,038</u>

401,112	401,112
9,889	979,681
16,274	4,891,926
<u>427,275</u>	<u>6,272,719</u>
<u>\$ 435,064</u>	<u>\$ 14,671,757</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
June 30, 2007

Total Fund Balances - Governmental Funds	\$ 6,272,719
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds

The cost of the capital assets is:	13,932,542
Accumulated depreciation is:	(7,179,767)

Long term liabilities are not due and payable in the current period and are not reported in the funds

Bonds payable:	(1,823,286)
Compensated absences:	(979,682)
Accrued interest is full accrual vs. modified accrual	(54,791)

Balance of State Aid receivable at 6/30/07- Section 52 & 53	742,600
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Balance of taxes receivable at 6/30/07 less allowance for doubtful accounts	<u>30,738</u>
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Net Assets of Governmental Activities	<u>\$ 10,941,073</u>
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The accompanying notes are an integral part of the financial statements.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	SPECIAL REVENUE		
	GENERAL FUND	SPECIAL EDUCATION	TUSCOLA TECHNOLOGY
REVENUES:			
Local sources	\$ 335,811	\$ 5,405,176	\$ 3,135,246
State sources	732,352	7,167,874	1,453,699
Federal sources	314,383	2,930,094	648,514
TOTAL REVENUES	1,382,546	15,503,144	5,237,459
EXPENDITURES:			
Instruction		6,453,434	2,713,756
Supporting services	1,165,412	8,553,735	1,932,406
Community services		48,351	417,974
Food service activities	-		
Debt service	-		
TOTAL EXPENDITURES	1,165,412	15,055,520	5,064,136
NET CHANGE IN FUND BALANCES	217,134	447,624	173,323
OTHER FINANCING SOURCES (USES):			
Operating transfers in	2,050		
Operating transfers out	(37,717)	(65,790)	(19,807)
Transfer to other districts/municipalities	(150,140)	(345,050)	(109,664)
Transfers from other districts/municipalities	32,827	-	
Sale of school property		-	
TOTAL OTHER FINANCING SOURCES (USES)	(152,980)	(410,840)	(129,471)
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	64,154	36,784	43,852
FUND BALANCE - BEGINNING OF YEAR	400,678	4,325,540	974,436
FUND BALANCE - END OF YEAR	\$ 464,832	\$ 4,362,324	\$ 1,018,288

The accompanying notes are an integral part of the financial statements.

OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 241,193	\$ 9,117,426
95,664	9,449,589
49,748	3,942,739
386,605	22,509,754
-	9,167,190
290,178	11,941,731
105,133	466,325
-	105,133
395,311	21,680,379
(8,706)	829,375
123,314	125,364
(2,050)	(125,364)
	(604,854)
	32,827
	-
121,264	(572,027)
112,558	257,348
314,717	6,015,371
\$ 427,275	\$ 6,272,719

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2007

Total net change in fund balances--governmental funds	\$ 257,348
--	-------------------

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:

Depreciation expense	(514,877)
Capital outlay	131,691
Net book value of assets disposed	(2,871)

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable at the beginning of the year	41,340
Accrued interest payable at the end of the year	(54,791)

Payment on Durant debt	-
------------------------	---

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Accrued revenue at the beginning of the year	(31,028)
Accrued revenue at the end of the year	30,738
Accrued state aid at the beginning of the year	-
Accrued state aid at the end of the year	742,600

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued absences at the beginning of the year	1,019,004
Accrued absences at the end of the year	(979,682)

Change in net assets of governmental activities	\$ 639,472
--	-------------------

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>AGENCY FUNDS</u>
 <u>ASSETS</u>	
Cash	<u><u>\$ 54,163</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Due to other organizations	<u><u>\$ 54,163</u></u>

The accompanying notes are an integral part of the financial statements.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of the Tuscola Intermediate School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

REPORTING ENTITY:

The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in GASB Statements #14 and #39, nor is the District a component unit of another entity.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has largely been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges paid by recipients who purchase, use, or directly benefit from goods or services by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the Intermediate School District and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District utilizes restricted resources to finance their respective, qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. These functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued):

Governmental Funds:

Governmental funds are those funds through which most school district functions are typically financed. The acquisition, use, and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following **major** governmental funds:

The *General Fund* is the District's primary administration fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects). The District's **major** special revenue funds consist of the Special Education, and Tuscola Technology funds.

The District reports the following **nonmajor** governmental funds:

The *Special Revenue Funds* that are considered **nonmajor** consist of the Regional Education Media Center (REMC) and the Hot Lunch Fund. The District accounts for its food service activities in a special revenue fund. The District is also the fiscal agent for the Regional Educational Media Center.

The *Debt Service Fund* accounts for the servicing of general long-term debt. Durant accounts for the resources accumulated and payments made for principle and interest on long-term obligation debt as a result of the Durant settlement.

Fiduciary Funds:

Fiduciary funds account for assets held by the district in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the district under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The District reports the following **fiduciary** fund:

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they were levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Modified Accrual Method

Governmental funds are used to account for the District's general government activities. Governmental fund financial statements use the flow of *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue:

The State of Michigan utilizes a foundation grant approach that provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007 the foundation allowance was based on the pupil membership counts taken in February and September of 2006.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes that may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October, 2006 to August, 2007. Thus, the unpaid portion at June 30th is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

For the year ended June 30, 2007, approximately \$290,437 of non cash transactions from the Michigan Department of Education (MDE) has been recorded as state aid revenue and pension expenditures as a result of a change in funding by the MDE.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

OTHER ACCOUNTING POLICIES:

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property Taxes.

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year-end).

For the year ended June 30, 2007, the District levied the following amounts per \$1,000 of assessed valuation:

<u>FUND</u>	<u>MILLS</u>
General Fund	0.1411
Special Revenue Funds:	
Special Education Fund	2.4502
Technical Education Fund	1.6496

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

OTHER ACCOUNTING POLICIES, (Continued):

3. Receivables and Payables.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the Governmental Funds Balance Sheet.

4. Capital Assets.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as followed:

Buildings and additions	50 years
Furniture and other equipment	5 – 15 years

The District's policy is to capitalize individual amounts exceeding \$3,000.

5. Compensated Absences.

Accumulated vacation and sick pay amounts that are expected to be liquidated with expendable available resources (generally sixty days) are recorded in the governmental funds using the modified accrual basis of accounting.

It is the policy of the District to allow for accumulation of unused sick days. Upon retirement, accumulated sick days for professional staff and administration become vested and are payable at one half of the employees current rate of pay for a maximum of 120 days. Professional staff employed after June 1, 1995 will be paid \$60 per day for a maximum of 120 days. For paraprofessionals unused sick days are payable at the rate of \$30 per day up to a maximum of 40 days. For non-union clerical employees unused sick days are payable at one half the employees current rate of pay for a maximum of 100 days. An estimate of this liability has been recorded in the statement of net assets.

6. Long-term obligations.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

OTHER ACCOUNTING POLICIES, (Continued):

7. Fund Balance.

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spendable resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

8. Use of Estimates.

The process of preparing basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:

Budgets are adopted on a basis consistent with U. S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end.

The District does not maintain a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget (GAAP basis) and actual - general, special revenue, debt service and capital project funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the budgeting act are disclosed as unfavorable variances on the combined statement of revenues, expenditures and changes in fund balances - budget and actual (GAAP Basis) - general, special revenue and debt service funds.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue and debt service fund.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY (Continued):

6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30.

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of June 30, 2007, the District had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
Guaranteed Investment Contract (GIC)	\$ 401,112	2.5	A1+	3.46
Co-America Government Cash Investment Fund (J Fund)	11,189,038	.0027	N/A	96.54
Total fair value	<u>\$11,590,150</u>			100.00%
Portfolio weighted average maturity		<u>.0891</u>		

1 day maturity equals 0.0027, one year equals 1.00

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$546,689 of the District's bank balance of \$646,816 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

The District's Guaranteed Investment Contract is collateralized and invested for the purpose of paying off the QZAB Bonds as disclosed in Note 7.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS, (Continued):

The Investment Agreement, dated as of September 10, 2002, by and among Bank of New York Trust Company, as the Depository on behalf of both the participating Michigan School District and the Michigan Municipal Bond Authority, and Wachovia Bank, as Provider.

The net proceeds from the sale of the School Improvement Bonds were loaned by the Authority to Michigan School Districts. Such Loans are to be repaid with annual set-a-side installments deposited with the Depository for investment under the Investment Agreement. Set-a-side installments are deposited under the Investment Agreement versus Permitted Investments (collateral securities) equaling at least 103% of the deposited amount and such Permitted Investments are held by the Depository in a fiduciary capacity.

The Guaranteed Rate under this Investment Agreement (commonly referred to as guaranteed investment contract-GIC or collateralized investment agreement-CIA) is 1.62% (simple interest actual days elapsed over a 365-day year).

The Guarantor is Wachovia Bank, as guarantor of the Provider's obligations under this Investment Agreement.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 54,163
Cash - District wide	626,839
Investments - District wide	<u>11,590,150</u>
	<u>\$12,271,152</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 4 – CAPITAL ASSETS:

A summary of changes in the District's capital assets follows:

	<u>BALANCE</u> <u>JULY 1, 2006</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2007</u>
Assets not being depreciated – land	\$ 131,000			\$ 131,000
Other capital assets:				
Building and Improvements	10,510,931	-	-	10,510,931
Office & Instructional Equipment	2,029,651	\$ 93,391	\$(113,456)	2,009,586
Transportation Equipment	<u>1,242,725</u>	<u>38,300</u>	<u>-</u>	<u>1,281,025</u>
Subtotal - Other	13,783,307	131,691	(113,456)	13,801,542
Accumulated depreciation:				
Building and Improvements	(4,735,689)	(299,513)	-	(5,035,202)
Office & Instructional Equipment	(1,244,587)	(108,970)	110,585	(1,242,972)
Transportation Equipment	<u>(795,199)</u>	<u>(106,394)</u>	<u>-</u>	<u>(901,593)</u>
Total accumulated depreciation	<u>(6,775,475)</u>	<u>(514,877)</u>	<u>110,585</u>	<u>(7,179,767)</u>
Net Other capital assets:	<u>7,007,832</u>	<u>(383,186)</u>	<u>(2,871)</u>	<u>6,621,775</u>
Net capital assets	<u>\$7,138,832</u>	<u>\$(383,186)</u>	<u>\$ (2,871)</u>	<u>\$6,752,775</u>

Depreciation for the fiscal year ended June 30, 2007 amounted to \$514,877. Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
Supporting services	\$106,394
Unallocated	<u>408,483</u>
	<u>\$514,877</u>

NOTE 5 - OPERATING LEASES:

The District leases office equipment under operating lease agreements that expire at various dates. Lease expense for the year amounted to \$1,884. At June 30, 2007, future lease payments under such leases are as follows:

June 30, 2008	\$19,236
June 30, 2009	19,236
June 30, 2010	19,236
June 30, 2011	19,236
June 30, 2012	17,633

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 6 - RISK MANAGEMENT:

The District is exposed to risk of loss related to injuries to employees. The District participates in a pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance, torts, theft of, damage to and destruction of assets and errors & omissions.

NOTE 7 – DUE FROM OTHER GOVERNMENTAL UNITS:

It's been the school district's policy to estimate their Section 52 and Section 53 state aid revenue using estimated allowable costs. Because of increasingly more complex rules regarding shared costs of Section 52 and Section 53 students, the District has decided it's no longer practical to prepare this estimate in a timely fashion. Effective with the June 30, 2007 school year, the District will recognize only the state aid revenue it receives through August 31st. Because the effect of this change in accounting principle was inseparable from the effect of the change in accounting estimate, the change was accounted for as a change in estimate.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 8 - LONG-TERM DEBT:

The District issued bonds to provide funds for the acquisition, construction and improvement of major facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

2002 Qualified Zone Academy Bonds in the amount of one million five hundred thousand (\$1,500,000). The bonds are interest free and are repayable September 10, 2016. The District is required to set aside \$96,314 beginning on September 10, 2003 and each year thereafter. The sum of these amounts set aside, together with the interest earned thereon, will be sufficient to repay the aggregate principal amount of the Bonds.

\$1,500,000

1998 limited obligation bonds (Durant bonds) (face amount \$547,514) due in annual installments ranging from \$29,086 to \$126,640 through May 15, 2013 with interest at 4.76%

323,286

Total long-term debt \$1,823,286

DEBT SERVICE REQUIREMENTS:

The annual requirements to amortize long-term debt outstanding as of June 30, 2007 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2008	-	-	-
2009	\$ 30,471	\$ 7,978	\$ 38,449
2010	31,920	6,527	38,447
2011	33,441	5,007	38,448
2012	35,031	3,415	38,446
2013-2017	<u>1,692,423</u>	<u>65,902</u>	<u>1,758,325</u>
	1,823,286	88,829	1,912,115
Accumulated compensated absences	<u>979,682</u>	-	<u>979,681</u>
	<u>\$2,802,968</u>	<u>\$88,829</u>	<u>\$2,891,796</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 8 - LONG-TERM DEBT (Continued):

CHANGES IN LONG-TERM DEBT:

The following is a summary of the changes in long-term debt of the District:

	ACCUMULATED SICK & VACATION PAY	GENERAL OBLIGATIONS
Long-term debt, July 1, 2006	\$1,019,004	\$1,823,286
Net decrease in compensated absences	36,398	
Durant payment		
Compensated absences paid	<u>(75,720)</u>	<u>-</u>
Long-term debt, June 30, 2007	<u>\$ 979,682</u>	<u>\$1,823,286</u>

At June 30, 2007, net assets of \$401,112 were available in the debt service fund to service the general obligation debt.

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and post-retirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan, 48909-7671 or by calling (800) 381-5111.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus and additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2006 was 16.34% through September 2006 and 17.74% for October 1, 2006 through June 30, 2007. The contribution requirements of plan members and the district are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2007, 2006, and 2005 were approximately \$1,988,092, \$1,766,460, and \$1,590,533, respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued):

OTHER POST-EMPLOYMENT BENEFITS:

Also within the MPSERS system, retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The MPSERS has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the MPSERS with the balance deducted from the monthly pension.

NOTE 10 – INTERFUND RECEIVABLES AND PAYABLES

A recap of the interfund receivables and payables that exist at June 30, 2007 is as follows:

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$ 3	\$ 16,105
Tuscola Technology Fund	721	31,479
Special Education	46,863	-
REMC	-	-
Hot Lunch	<u>-</u>	<u>3</u>
Total	<u>\$47,587</u>	<u>\$47,587</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

NOTE 11 – TRANSFERS

Transfers were made from the General Fund, Special Education Fund and the Tuscola Technology Fund to the Debt Retirement Fund for future QZAB obligations. Other transfers were made to supplement program costs. A summary is as follows:

	<u>Transfers To</u>	<u>Transfers From</u>
General Fund	\$ 2,050	\$ 37,717
Special Education Fund	-	65,790
Tuscola Technology Fund	-	19,807
REMC	-	2,050
Debt Retirement Fund	96,314	-
Hot Lunch Fund	<u>27,000</u>	<u>-</u>
Total	<u>\$125,364</u>	<u>\$125,364</u>

REQUIRED SUPPLEMENTARY INFORMATION

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	BUDGET			VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Local sources	\$ 310,214	\$ 343,197	\$ 335,811	\$ (7,386)
State sources	681,703	784,653	732,352	(52,301)
Federal sources	253,931	327,166	314,383	(12,783)
TOTAL REVENUE	1,245,848	1,455,016	1,382,546	(72,470)
EXPENDITURES:				
Supporting services				
General education services	83,886	92,918	92,433	485
Audio-visual	12,000	11,171	11,171	-
Board of education	7,150	8,277	7,813	464
Pupil accounting	48,739	47,362	45,248	2,114
Executive administration	439,774	443,205	420,203	23,002
Fiscal services	23,310	18,961	11,329	7,632
Operation & maintenance	43,291	44,254	38,743	5,511
Computer specialist	92,656	117,028	104,148	12,880
Drug free grants	72,481	76,836	85,923	(9,087)
Health grants	74,869	157,252	111,975	45,277
Professional development	18,256	24,232	23,163	1,069
Tuscola consortium reading recovery	-	11,979	11,979	-
Truancy	50,000	48,000	45,765	2,235
Instructional technology	47,829	54,109	53,989	120
Reading first	15,512	15,191	15,191	-
Tri-county literacy	3,740	365	365	-
Other supporting services	10,000	116,319	85,974	30,345
TOTAL EXPENDITURES	1,043,493	1,287,459	1,165,412	122,047
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	202,355	167,557	217,134	49,577
OTHER FINANCING SOURCES (USES):				
Transfers from other funds		2,050	2,050	
Transfers to other funds	(37,717)	(37,717)	(37,717)	-
Transfer to other districts/municipalities	(181,450)	(149,230)	(150,140)	(910)
Transfers from other districts/municipalities	16,812	17,340	32,827	15,487
TOTAL OTHER FINANCING SOURCES (USES)	(202,355)	(167,557)	(152,980)	14,577
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	-	-	64,154	64,154
FUND BALANCE - JULY 1	400,678	400,678	400,678	-
FUND BALANCE - JUNE 30	\$ 400,678	\$ 400,678	\$ 464,832	\$ 64,154

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2007

	BUDGET			VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Local sources	\$ 4,750,170	\$ 5,452,181	\$ 5,405,176	\$ (47,005)
State sources	8,025,355	8,191,305	7,167,874	(1,023,431)
Federal sources	3,048,443	3,119,294	2,930,094	(189,200)
TOTAL REVENUE	15,823,968	16,762,780	15,503,144	(1,259,636)
EXPENDITURES:				
Instruction				
Added needs	6,801,021	6,576,344	6,453,434	122,910
Supporting services				
Instructional support	145,999	212,887	169,355	43,532
Pupil services	4,800,321	4,835,823	4,611,773	224,050
General administration	1,022,086	984,961	1,024,225	(39,264)
School administration	562,326	683,250	546,650	136,600
Operation & maintenance	635,842	567,253	513,185	54,068
Pupil transportation	1,297,307	1,558,183	1,398,293	159,890
Business services	174,608	177,321	167,218	10,103
Other support services	107,640	132,976	123,036	9,940
Community services	42,947	64,076	48,351	15,725
TOTAL EXPENDITURES	15,590,097	15,793,074	15,055,520	737,554
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	233,871	969,706	447,624	(522,082)
OTHER FINANCING SOURCES (USES):				
Sale of school property		3,000	-	(3,000)
Transfers from other districts	3,350	350	-	(350)
Transfers to other districts	(356,500)	(380,000)	(345,050)	34,950
Transfers to other funds	(78,790)	(78,790)	(65,790)	13,000
TOTAL OTHER FINANCING SOURCES (USES):	(431,940)	(455,440)	(410,840)	44,600
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	(198,069)	514,266	36,784	(477,482)
FUND BALANCE - JULY 1	4,325,540	4,325,540	4,325,540	
FUND BALANCE - JUNE 30	\$ 4,127,471	\$ 4,839,806	\$ 4,362,324	\$ (477,482)

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
TUSCOLA TECHNOLOGY EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2007

	BUDGET			VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Local sources	\$ 3,137,639	\$ 3,205,692	\$ 3,135,246	\$ (70,446)
State sources	1,258,000	1,406,846	1,453,699	46,853
Federal sources	537,830	667,326	648,514	(18,812)
TOTAL REVENUE	4,933,469	5,279,864	5,237,459	(42,405)
EXPENDITURES:				
Instruction				
Added needs	2,517,930	2,525,148	2,518,726	6,422
Customized training	176,694	191,611	195,030	(3,419)
Supporting services				
Cooperative coordinator	143,779	193,050	192,099	951
General administration	306,052	265,821	267,177	(1,356)
Office of the principal	455,027	468,269	473,762	(5,493)
TTC services	108,682	144,801	136,818	7,983
Data processing	319,731	234,738	223,145	11,593
Operation & maintenance	448,020	471,490	473,647	(2,157)
Other	264,650	169,954	165,758	4,196
Community services	411,219	426,894	417,974	8,920
TOTAL EXPENDITURES	5,151,784	5,091,776	5,064,136	27,640
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	(218,315)	188,088	173,323	(14,765)
OTHER FINANCING SOURCES (USES):				
Transfers from other funds		-	-	-
Transfers to other districts		(109,639)	(109,664)	(25)
Transfers to other funds	(19,807)	(19,807)	(19,807)	-
TOTAL OTHER FINANCING SOURCES (USES)	(19,807)	(129,446)	(129,471)	(25)
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	(238,122)	58,642	43,852	(14,790)
FUND BALANCE - JULY 1	974,436	974,436	974,436	
FUND BALANCE - JUNE 30	\$ 736,314	\$ 1,033,078	\$ 1,018,288	\$ (14,790)

ADDITIONAL INFORMATION

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
June 30, 2007

	<u>REMC</u>	<u>HOT LUNCH</u>	<u>DEBT RETIREMENT</u>	<u>TOTAL</u>
<u>ASSETS</u>				
Cash	\$ 4,934	\$ 7,882		\$ 12,816
Investments	-	-	\$ 401,112	401,112
Accounts receivable	2,815	13	-	2,828
Due from other governmental units	16,361	1,947	-	18,308
Due from other funds	-	-	-	-
<u>TOTAL ASSETS</u>	<u>\$ 24,110</u>	<u>\$ 9,842</u>	<u>\$ 401,112</u>	<u>\$ 435,064</u>
<u>LIABILITIES & FUND BALANCE</u>				
LIABILITIES:				
Accounts payable	\$ 3,997	\$ (1,201)	\$ -	\$ 2,796
Accrued salaries & benefits	2,826	580	-	3,406
Accrued interest	-	-	-	-
Accrued & withheld payroll taxes	1,609	(25)	-	1,584
Due to other funds	-	3	-	3
<u>TOTAL LIABILITIES</u>	<u>8,432</u>	<u>(643)</u>	<u>-</u>	<u>7,789</u>
FUND BALANCE:				
Undesignated	5,789	10,485		16,274
Designated for capital outlay				-
Designated for debt retirement			401,112	401,112
Designated for accumulated compensated absences	9,889			9,889
<u>TOTAL FUND BALANCE</u>	<u>15,678</u>	<u>10,485</u>	<u>401,112</u>	<u>427,275</u>
<u>TOTAL LIABILITIES & FUND BALANCE</u>	<u>\$ 24,110</u>	<u>\$ 9,842</u>	<u>\$ 401,112</u>	<u>\$ 435,064</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>REMC</u>	<u>HOT LUNCH</u>	<u>DEBT RETIREMENT</u>	<u>TOTAL</u>
REVENUE:				
Local sources	\$ 207,757	\$ 26,051	\$ 7,385	\$ 241,193
State sources	90,677	4,987	-	95,664
Federal sources	4,166	45,582	-	49,748
TOTAL REVENUE	<u>302,600</u>	<u>76,620</u>	<u>7,385</u>	<u>386,605</u>
EXPENDITURES:				
Current:				
Supporting services	290,178			290,178
Food service activities		105,133		105,133
Debt service:				
Principle redemption			-	-
Interest and fiscal charges			-	-
TOTAL EXPENDITURES	<u>290,178</u>	<u>105,133</u>	<u>-</u>	<u>395,311</u>
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	<u>12,422</u>	<u>(28,513)</u>	<u>7,385</u>	<u>(8,706)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfer in	-	27,000	96,314	123,314
Operating transfer (out)	(2,050)	-	-	(2,050)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,050)</u>	<u>27,000</u>	<u>96,314</u>	<u>121,264</u>
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	<u>10,372</u>	<u>(1,513)</u>	<u>103,699</u>	<u>112,558</u>
FUND BALANCE - JULY 1	<u>5,306</u>	<u>11,998</u>	<u>297,413</u>	<u>314,717</u>
FUND BALANCE - JUNE 30	<u>\$ 15,678</u>	<u>\$ 10,485</u>	<u>\$ 401,112</u>	<u>\$ 427,275</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND REVENUE
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Property taxes - current levy	\$ 224,725	\$ 218,204	\$ (6,521)
Truancy fees	52,400	52,400	-
Health Ed workshop fees	4,000	3,765	(235)
Miscellaneous	45,372	44,611	(761)
Income on investment	16,700	16,831	131
TOTAL REVENUE FROM LOCAL SOURCES	<u>343,197</u>	<u>335,811</u>	<u>(7,386)</u>
REVENUE FROM STATE SOURCES:			
State aid	<u>784,653</u>	<u>732,352</u>	<u>(52,301)</u>
REVENUE FROM FEDERAL SOURCES:			
Title VI	327,166	314,383	(12,783)
Other sources	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES FROM FEDERAL SOURCES	327,166	314,383	(12,783)
SALE OF ASSETS	<u>-</u>	<u>-</u>	<u>-</u>
TRANSFERS FROM OTHER DISTRICTS	17,340	32,827	15,487
TRANSFER FROM OTHER FUNDS	<u>2,050</u>	<u>2,050</u>	<u>-</u>
TOTAL REVENUE	<u>\$ 1,457,066</u>	<u>\$ 1,417,423</u>	<u>\$ (39,643)</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Executive Administration:			
Salaries	\$ 226,903	\$ 220,598	\$ 6,305
Employee benefits	107,051	103,646	3,405
Purchased services	40,000	34,078	5,922
Supplies and other	6,500	5,051	1,449
Capital outlay	54,751	49,768	4,983
Miscellaneous	8,000	7,062	938
Total Executive Administration	<u>443,205</u>	<u>420,203</u>	<u>23,002</u>
Fiscal Services:			
Insurance	2,700	2,004	696
Contracted services	15,261	8,949	6,312
Miscellaneous	1,000	376	624
Total Fiscal Services	<u>18,961</u>	<u>11,329</u>	<u>7,632</u>
Operation and Maintenance:			
Salaries	17,900	17,159	741
Employee benefits	11,204	9,358	1,846
Utilities and telephone	8,600	8,184	416
Purchased services	100	-	100
Repairs and maintenance	3,500	1,929	1,571
Supplies & other	900	354	546
Capital outlay	2,050	1,759	291
Total Operation & Maintenance	<u>44,254</u>	<u>38,743</u>	<u>5,511</u>
Computer Specialist:			
Salaries	36,175	36,236	(61)
Employee benefits	20,678	20,328	350
Purchased services	44,241	31,861	12,380
Supplies & other	1,534	1,390	144
Capital outlay	14,400	14,333	67
Total Computer Specialist	<u>117,028</u>	<u>104,148</u>	<u>12,880</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES:			
General Education Services:			
Salaries	\$ 32,244	\$ 32,247	\$ (3)
Employee benefits	26,587	26,710	(123)
Purchased services	27,737	27,021	716
Supplies & other	1,100	1,205	(105)
Miscellaneous	5,250	5,250	-
Total General Education Services	<u>92,918</u>	<u>92,433</u>	<u>485</u>
Audio-visual:			
Purchased services	<u>11,171</u>	<u>11,171</u>	<u>-</u>
Total Audio-visual	<u>11,171</u>	<u>11,171</u>	<u>-</u>
Board of Education:			
Salaries	2,000	1,860	140
Purchased services	3,077	2,850	227
Supplies & other	800	720	80
Miscellaneous	<u>2,400</u>	<u>2,383</u>	<u>17</u>
Total Board of Education	<u>8,277</u>	<u>7,813</u>	<u>464</u>
Pupil Accounting			
Salaries	28,050	28,050	-
Benefits	15,122	13,508	1,614
Purchased services	3,640	3,117	523
Supplies	<u>550</u>	<u>573</u>	<u>(23)</u>
Total Pupil Accounting	<u>47,362</u>	<u>45,248</u>	<u>2,114</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Drug Free Grants			
Salaries	\$ 46,490	\$ 56,156	\$ (9,666)
Employee Benefits	21,605	22,325	(720)
Purchased Services	8,241	7,005	1,236
Supplies	500	437	63
Total Drug Free Grants	<u>76,836</u>	<u>85,923</u>	<u>(9,087)</u>
Health grants:			
Salaries	88,384	70,420	17,964
Employee benefits	30,319	19,147	11,172
Purchased services	31,569	16,418	15,151
Supplies & other	4,749	4,205	544
Miscellaneous	2,231	1,785	446
Total Health Grants	<u>157,252</u>	<u>111,975</u>	<u>45,277</u>
Professional Development:			
Salaries	1,493	1,493	-
Employee benefits	1,179	1,180	(1)
Purchased services	16,408	16,371	37
Supplies & other	134	133	1
Miscellaneous	5,018	3,986	1,032
Total Professional Development	<u>24,232</u>	<u>23,163</u>	<u>1,069</u>
Tuscola Consortium Reading Recovery:			
Purchased services	<u>11,979</u>	<u>11,979</u>	<u>-</u>
Total Tuscola Consortium Reading Recovery	<u>11,979</u>	<u>11,979</u>	<u>-</u>
Truancy			
Employee benefits	43,172	41,628	
Purchased services	4,300	3,631	669
Miscellaneous	528	506	22
Total Truancy	<u>48,000</u>	<u>45,765</u>	<u>2,235</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Instructional Technology			
Salaries	\$ 1,493	\$ 1,491	\$ 2
Employee benefits	1,179	1,180	(1)
Purchased services	47,719	47,601	118
Supplies & other	3,718	3,717	1
Total Instructional Technology	<u>54,109</u>	<u>53,989</u>	<u>120</u>
Reading First			
Purchased services	3,000	3,000	-
Miscellaneous	12,191	12,191	-
Total Reading First	<u>15,191</u>	<u>15,191</u>	<u>-</u>
Tri-County Literacy			
Purchased services	365	365	-
Total Tri-County Literacy	<u>365</u>	<u>365</u>	<u>-</u>
Other Supporting Services:			
Salaries	286	285	1
Employee benefits	73	73	-
Purchased services	109,919	83,813	26,106
Supplies & other	6,041	1,803	4,238
Miscellaneous	-	-	-
Total Other Supporting Services	<u>116,319</u>	<u>85,974</u>	<u>30,345</u>
TOTAL SUPPORTING SERVICES	<u>1,287,459</u>	<u>1,165,412</u>	<u>122,047</u>
TRANSFERS TO OTHER DISTRICTS/MUNICIPALITIES	149,230	150,140	(910)
TRANSFERS TO OTHER FUNDS	<u>37,717</u>	<u>37,717</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 1,474,406</u>	<u>\$ 1,353,269</u>	<u>\$ 121,137</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND REVENUE
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Property tax levy	\$ 3,887,581	\$ 3,780,779	\$ (106,802)
Interest on delinquent tax	3,500	1,277	(2,223)
Interest on investment	120,000	137,221	17,221
Rentals	18,000	15,800	(2,200)
Transportation	18,000	21,933	3,933
Miscellaneous	205,100	263,676	58,576
Medicaid - SBS	1,200,000	1,184,490	(15,510)
Tuition & fees	-	-	-
TOTAL REVENUE FROM LOCAL SOURCES	<u>5,452,181</u>	<u>5,405,176</u>	<u>(47,005)</u>
REVENUE FROM STATE SOURCES:			
State aid - Section 26A, Renaissance	41,658	41,563	(95)
State aid - Section 51A	3,754,259	3,150,857	(603,402)
State aid - Section 53	3,254,765	2,856,619	(398,146)
State aid - Section 56	651,617	649,835	(1,782)
State aid - Section 81	406,951	406,951	-
State aid - Other	82,055	62,049	(20,006)
TOTAL REVENUE FROM STATE SOURCES	<u>8,191,305</u>	<u>7,167,874</u>	<u>(1,023,431)</u>
REVENUE FROM FEDERAL SOURCES:			
Title I	77,181	52,257	(24,924)
94-142 Flow through Title I	2,638,493	2,544,034	(94,459)
Preschool incentive	126,070	107,249	(18,821)
Infant & toddler	82,550	81,469	(1,081)
Transition MJCRS	30,000	22,685	(7,315)
Other sources	50,000	20,832	(29,168)
Medicaid Outreach & Transportation	115,000	101,568	(13,432)
TOTAL REVENUE FROM FEDERAL SOURCES	<u>3,119,294</u>	<u>2,930,094</u>	<u>(189,200)</u>
TOTAL REVENUE	<u>16,762,780</u>	<u>15,503,144</u>	<u>(1,259,636)</u>
OTHER FINANCING SOURCES:			
ISD & Miscellaneous revenue	350	-	(350)
Sale of Assets	3,000	-	(3,000)
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 16,766,130</u>	<u>\$ 15,503,144</u>	<u>\$ (1,262,986)</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTIONS:			
Added needs:			
Salaries:			
Teachers	\$ 2,362,306	\$ 2,361,363	\$ 943
Substitute teachers	60,500	53,184	7,316
Teachers aides	1,225,246	1,247,512	(22,266)
Substitute teachers aides	100,700	96,891	3,809
Employee benefits:			
Insurance	1,266,780	1,285,222	(18,442)
Retirement	709,140	663,795	45,345
FICA	303,562	292,896	10,666
Purchased services	412,450	366,048	46,402
Teaching supplies	115,060	75,454	39,606
Capital outlay	17,100	8,526	8,574
Miscellaneous	3,500	2,543	957
TOTAL INSTRUCTION	<u>6,576,344</u>	<u>6,453,434</u>	<u>122,910</u>
SUPPORTING SERVICES			
Instructional Support			
Salaries	23,574	22,888	686
Employee benefits	12,060	10,783	1,277
Purchased services	144,650	118,768	25,882
Supplies	22,580	8,320	14,260
Miscellaneous	10,023	8,596	1,427
Total Instructional Support	<u>212,887</u>	<u>169,355</u>	<u>43,532</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Pupil Services:			
Guidance Services			
Purchased services	\$ 28,144	\$ 26,383	\$ 1,761
Supplies & other	5,715	2,762	2,953
Health Services			
Salaries	574,041	568,747	5,294
Employee benefits	402,523	397,957	4,566
Purchased services	7,800	5,807	1,993
Supplies & other	11,500	10,984	516
Psychological Services			
Salaries	406,150	397,486	8,664
Employee benefits	188,121	170,958	17,163
Purchased services	30,300	20,686	9,614
Supplies & other	13,000	12,513	487
Capital outlay	600	572	28
Speech Pathology & Audiology Services			
Salaries	782,820	776,058	6,762
Employee benefits	385,138	382,268	2,870
Purchased services	183,954	188,428	(4,474)
Supplies & other	29,300	26,218	3,082
Capital outlay	8,500	5,352	3,148
Social Work Services			
Salaries	602,402	590,166	12,236
Employee benefits	272,453	262,488	9,965
Purchased services	24,200	13,162	11,038
Supplies & other	12,700	7,374	5,326
Visual Aid Services			
Salaries	68,964	68,906	58
Employee benefits	34,010	33,036	974
Purchased services	22,000	3,645	18,355
Supplies & other	3,800	2,361	1,439
Capital outlay	10,000	-	10,000

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Pupil Services, (Continued):			
Teacher Consultant			
Salaries	\$ 54,100	\$ 51,454	\$ 2,646
Employee benefits	26,836	26,079	757
Purchased services	69,200	46,401	22,799
Supplies & other	5,565	2,274	3,291
Other Pupil Support Services			
Salaries	209,093	197,076	12,017
Employee benefits	80,630	68,624	12,006
Purchased services	228,014	214,871	13,143
Supplies & other	37,750	24,952	12,798
Capital outlay	15,000	4,753	10,247
Miscellaneous	1,500	972	528
Total Pupil Services	<u>4,835,823</u>	<u>4,611,773</u>	<u>224,050</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
General Administration:			
Salaries	\$ 477,200	\$ 479,368	\$ (2,168)
Employee benefits	235,561	228,765	6,796
Purchased services	226,600	284,380	(57,780)
Supplies	15,400	10,388	5,012
Capital outlay	25,000	17,170	7,830
Miscellaneous	5,200	4,154	1,046
Total General Administration	<u>984,961</u>	<u>1,024,225</u>	<u>(39,264)</u>
School Administration:			
Salaries	258,354	262,822	(4,468)
Employee benefits	253,596	121,128	132,468
Purchased services	92,300	90,306	1,994
Supplies & other	32,500	29,366	3,134
Capital outlay	43,500	41,563	1,937
Miscellaneous	3,000	1,465	1,535
Total School Administration	<u>683,250</u>	<u>546,650</u>	<u>136,600</u>
Operation & Maintenance:			
Salaries	172,046	175,092	(3,046)
Employee benefits	88,807	83,024	5,783
Insurances	13,600	12,281	1,319
Telephone	12,300	7,903	4,397
Utilities	32,900	23,616	9,284
Repairs & maintenance	17,500	10,965	6,535
Custodial supplies	77,000	72,620	4,380
Capital outlay	153,100	127,684	25,416
Total Operation & Maintenance	<u>567,253</u>	<u>513,185</u>	<u>54,068</u>
Pupil Transportation:			
Salaries	670,485	678,353	(7,868)
Employee benefits	367,098	366,813	285
Insurance	12,600	9,798	2,802
Repairs & maintenance	50,000	39,859	10,141
Leased payments	43,000	52,875	(9,875)
Gas, oil, & grease	100,000	94,854	5,146
Private auto	55,000	49,442	5,558
Capital outlay	161,000	61,567	99,433
Supplies	99,000	44,732	54,268
Total Pupil Transportation	<u>1,558,183</u>	<u>1,398,293</u>	<u>159,890</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Business Services:			
Salaries	\$ 88,700	\$ 88,641	\$ 59
Employee benefits	22,521	22,119	402
Professional services	62,800	56,009	6,791
Interest	-	-	-
Misc. - property tax rebates	3,300	449	2,851
Total Business Services	<u>177,321</u>	<u>167,218</u>	<u>10,103</u>
Other Support Services			
Salaries	40,653	40,819	(166)
Employee benefits	36,523	35,861	662
Purchased services	38,600	35,023	3,577
Miscellaneous	17,200	11,333	5,867
Total Other Support Services	<u>132,976</u>	<u>123,036</u>	<u>9,940</u>
TOTAL SUPPORTING SERVICES	<u>9,152,654</u>	<u>8,553,735</u>	<u>545,447</u>
COMMUNITY SERVICES			
Salaries	3,553	9,739	(6,186)
Employee benefits	826	2,352	(1,526)
Purchased services	38,562	29,041	9,521
Supplies and other	21,135	7,219	13,916
TOTAL COMMUNITY SERVICES	<u>64,076</u>	<u>48,351</u>	<u>15,725</u>
TRANSFERS TO OTHER FUNDS	78,790	65,790	13,000
TRANSFERS TO OTHER DISTRICTS/MUNICIPALITIES	<u>380,000</u>	<u>345,050</u>	<u>34,950</u>
TOTAL EXPENDITURES	<u>\$ 16,251,864</u>	<u>\$ 15,466,360</u>	<u>\$ 785,504</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
TUSCOLA TECHNOLOGY FUND -
SCHEDULE OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Property taxes	\$ 2,583,865	\$ 2,545,655	\$ (38,210)
Interest on investments	50,255	50,718	463
Program sales	154,628	154,730	102
Tuition & fees	203,325	163,078	(40,247)
Rentals	203,543	219,649	16,106
Miscellaneous	10,076	1,416	(8,660)
TOTAL REVENUE FROM LOCAL SOURCES	<u>3,205,692</u>	<u>3,135,246</u>	<u>(70,446)</u>
REVENUE FROM STATE SOURCES:			
Administrative	12,000	59,204	47,204
Added costs	286,524	286,525	1
Millage grant	629,481	629,522	41
Section 81	266,602	266,602	-
Other State Sources	212,239	211,846	(393)
TOTAL REVENUE FROM STATE SOURCES	<u>1,406,846</u>	<u>1,453,699</u>	<u>46,853</u>
REVENUE FROM FEDERAL SOURCES:			
Regional allocation	122,532	122,532	-
Staffing grant	266,136	238,222	(27,914)
Tech prep	128,758	128,758	-
Other	149,900	159,002	9,102
REVENUE FROM FEDERAL SOURCES	<u>667,326</u>	<u>648,514</u>	<u>(18,812)</u>
TRANSFERS FROM OTHER FUNDS	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL TUSCOLA TECHNOLOGY EDUCATION REVENUE	<u>\$ 5,279,864</u>	<u>\$ 5,237,459</u>	<u>\$ (42,405)</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
TUSCOLA TECHNOLOGY FUND -
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
Added Needs:			
Salaries			
Teachers	\$ 1,350,565	\$ 1,351,528	\$ (963)
Substitute teachers	13,304	13,404	(100)
Secretary	86,689	85,132	1,557
Employee benefits	761,005	763,836	(2,831)
Purchased services	82,980	81,892	1,088
Teaching supplies & other	222,940	217,829	5,111
Miscellaneous	7,665	5,105	2,560
Total Added Needs	<u>2,525,148</u>	<u>2,518,726</u>	<u>6,422</u>
Customized Training:			
Salaries			
Supervisor	38,940	38,940	-
Teacher	52,998	53,862	(864)
Employee benefits	40,742	42,877	(2,135)
Purchased services	39,087	38,504	583
Teaching supplies & textbooks	19,049	20,552	(1,503)
Miscellaneous	795	295	500
Total Customized Training	<u>191,611</u>	<u>195,030</u>	<u>(3,419)</u>
TOTAL INSTRUCTION	<u>2,716,759</u>	<u>2,713,756</u>	<u>3,003</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
TUSCOLA TECHNOLOGY FUND -
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES:			
Cooperative Coordinator:			
Salaries	\$ 122,635	\$ 124,807	\$ (2,172)
Employee benefits	67,615	64,896	2,719
Purchased services	1,915	1,624	291
Supplies & other	850	764	86
Miscellaneous	35	8	27
Total Cooperative Coordinator	<u>193,050</u>	<u>192,099</u>	<u>951</u>
General Administration:			
Salaries	138,165	138,165	-
Employees benefits	97,593	99,454	(1,861)
Purchased services	23,717	23,476	241
Supplies & other	3,808	3,703	105
Capital outlay	1,215	1,215	-
Miscellaneous	1,323	1,164	159
Total General Administration	<u>265,821</u>	<u>267,177</u>	<u>(1,356)</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
TUSCOLA TECHNOLOGY FUND -
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Office of the Principal:			
Salaries	\$ 296,649	\$ 299,057	\$ (2,408)
Employee benefits	151,827	155,488	(3,661)
Purchased services	10,888	10,661	227
Supplies & other	4,309	4,136	173
Capital outlay	3,337	3,336	1
Miscellaneous	1,259	1,084	175
Total Office of the Principal	<u>468,269</u>	<u>473,762</u>	<u>(5,493)</u>
TTC Services:			
Purchased services	79,597	71,419	8,178
Supplies & other	26,078	22,011	4,067
Capital outlay	39,126	43,388	(4,262)
Total TTC Services	<u>144,801</u>	<u>136,818</u>	<u>7,983</u>
Data Processing:			
Salaries	133,982	127,353	6,629
Employee benefits	76,846	73,823	3,023
Purchased services	9,470	8,819	651
Supplies & other	14,250	13,095	1,155
Miscellaneous	190	55	135
Total Data Processing	<u>234,738</u>	<u>223,145</u>	<u>11,593</u>
Operation & Maintenance:			
Salaries - Supervisors	28,881	28,818	63
Salaries - Secretary	154,693	148,126	6,567
Employee benefits	105,143	101,603	3,540
Telephone & sewage	11,165	11,625	(460)
Utilities	116,151	128,351	(12,200)
Purchased services	39,477	38,470	1,007
Supplies & other	11,964	12,638	(674)
Capital Outlay	4,016	4,016	-
Total Operation & Maintenance	<u>471,490</u>	<u>473,647</u>	<u>(2,157)</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
TUSCOLA TECHNOLOGY FUND -
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Other Supporting Services:			
Salaries	\$ 8,662	\$ 8,661	\$ 1
Employee benefits	1,758	1,757	1
Professional service	84,005	82,884	1,121
Insurance	8,145	8,155	(10)
Supplies	3,899	3,755	144
Miscellaneous	63,485	60,546	2,939
Total Other Supporting Services	<u>169,954</u>	<u>165,758</u>	<u>4,196</u>
TOTAL SUPPORTING SERVICES	1,948,123	1,932,406	15,717
COMMUNITY SERVICES			
Salaries	210,225	210,650	(425)
Employee benefits	142,450	137,784	4,666
Purchased services	57,469	55,859	1,610
Supplies	16,750	13,681	3,069
TOTAL COMMUNITY SERVICES	426,894	417,974	8,920
TRANSFERS TO OTHER FUNDS	19,807	19,807	-
TRANSFERS TO OTHER DISTRICTS/MUNICIPALITIES	109,639	109,664	(25)
TOTAL TUSCOLA TECHNOLOGY EDUCATION FUND EXPENDITURES	<u>\$ 5,221,222</u>	<u>\$ 5,193,607</u>	<u>\$ 27,615</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
REGIONAL EDUCATION MEDIA CENTER
SCHEDULE OF REVENUE
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Health education workshops	\$ 30,566	\$ 30,566	-
Cooperative purchasing	1,850	2,027	\$ 177
Miscellaneous	172,280	173,550	1,270
Interest on investments	1,620	1,614	(6)
TOTAL REVENUE FROM LOCAL SOURCES	<u>206,316</u>	<u>207,757</u>	<u>1,441</u>
REVENUE FROM STATE SOURCES:			
State aid	<u>90,677</u>	<u>90,677</u>	-
REVENUE FROM FEDERAL SOURCES:			
Title VI	<u>4,166</u>	<u>4,166</u>	-
TRANSFERS FROM OTHER FUNDS	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE	<u>\$ 301,159</u>	<u>\$ 302,600</u>	<u>\$ 1,441</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
REGIONAL EDUCATION MEDIA CENTER
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES			
Audio Visual Services:			
Salaries	\$ 141,601	\$ 140,608	\$ 993
Employee benefits	69,608	73,666	(4,058)
Purchased services	34,066	34,781	(715)
Supplies	2,450	2,419	31
Miscellaneous	960	923	37
Total Audio Visual Services	<u>248,685</u>	<u>252,397</u>	<u>(3,712)</u>
Other Support Services:			
Capital outlay	772	772	-
Purchased services	16,627	13,683	2,944
Supplies & other	-	104	(104)
Total Other Support Services	<u>17,399</u>	<u>14,559</u>	<u>2,840</u>
Operation & Maintenance:			
Vehicle repair	5,600	4,287	1,313
Telephone	-	-	-
Contract services	2,570	2,568	2
Utilities	14,930	13,714	1,216
Supplies & other	2,500	2,052	448
Capital outlay	800	601	199
Total Operation & Maintenance	<u>26,400</u>	<u>23,222</u>	<u>3,178</u>
TOTAL SUPPORTING SERVICES	<u>292,484</u>	<u>290,178</u>	<u>2,306</u>
TRANSFERS TO OTHER FUNDS	<u>2,050</u>	<u>2,050</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 294,534</u>	<u>\$ 292,228</u>	<u>\$ 2,306</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
HOT LUNCH FUND
SCHEDULE OF REVENUE, EXPENDITURES,
AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Local:			
Meals	\$ 13,280	\$ 12,043	\$ (1,237)
Interest	400	285	(115)
Miscellaneous	15,150	13,723	(1,427)
Total Local	28,830	26,051	(2,779)
State aid	5,129	4,987	(142)
Federal aid	39,310	45,582	6,272
TOTAL REVENUE	73,269	76,620	3,351
EXPENDITURES:			
Food	40,000	40,486	(486)
Federal food allocation	5,000	4,789	211
Non-food items	4,700	4,693	7
Salaries	31,000	30,683	317
Employee benefits	19,634	19,238	396
Purchased service	2,635	1,870	765
Miscellaneous supplies	1,200	1,095	105
Capital outlay	1,800	1,802	(2)
Miscellaneous	500	477	23
TOTAL EXPENDITURES	106,469	105,133	1,336
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	(33,200)	(28,513)	4,687
OTHER FINANCING SOURCES:			
Operating transfers from other funds	32,000	27,000	(5,000)
EXCESS (DEFICIT) OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES	\$ (1,200)	(1,513)	\$ (313)
FUND BALANCE - JULY 1		11,998	
FUND BALANCE - JUNE 30		\$ 10,485	

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
TUSCOLA TECHNOLOGY STUDENT ACTIVITY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

	DUE TO STUDENT ACTIVITIES & OTHER ORGANIZATIONS June 30, 2006	RECEIPTS	DISBURSEMENTS	DUE TO STUDENT ACTIVITIES & OTHER ORGANIZATIONS June 30, 2007
TOTAL AGENCY FUND	\$ 43,087	\$ 122,544	\$ 111,468	\$ 54,163

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF BONDED DEBT - 1998 ISSUE
June 30, 2007

\$547,514 Durant Bond issued November 24, 1998:

PRINCIPAL DUE MAY 15	INTEREST DUE MAY 15	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		JUNE 30	AMOUNT
\$ 30,471	\$ 7,978	2009	\$ 38,449
31,920	6,527	2010	38,447
33,441	5,008	2011	38,449
35,031	3,415	2012	38,446
192,424	65,901	2013	258,325
\$ 323,287	\$ 88,829		\$ 412,116

The above bond issue bears interest at 4.76%. The bond proceeds were used for furnishing and equipping the existing school buildings and developing and improving the site.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT

ADDITIONAL REPORTS REQUIRED
BY OMB CIRCULAR A-133

YEAR ENDED JUNE 30, 2007

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Schedule of Findings and Questioned Costs

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Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

August 31, 2007

To the Board of Education
Tuscola Intermediate School District
Caro, MI 48723

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tuscola Intermediate School District as of and for the year ended June 30, 2007, which collectively comprise Tuscola Intermediate School District's basic financial statements of the District's primary government and have issued our report thereon dated August 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Tuscola Intermediate School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tuscola Intermediate School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Tuscola Intermediate School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We considered the deficiencies described as 2007-1 and 2007-2 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, the significant deficiency described above as 2007-1, we considered to be a material weakness.

To the Board of Education
August 31, 2007

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Tuscola Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of Tuscola Intermediate School District in a separate letter dated August 31, 2007.

Tuscola Intermediate School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Tuscola Intermediate School District's response and accordingly, we express no opinion on them.

This report is intended for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS**



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

August 31, 2007

To the Board of Education
Tuscola Intermediate School District
Caro, MI 48723

COMPLIANCE

We have audited the compliance of Tuscola Intermediate School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Tuscola Intermediate School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Tuscola Intermediate School District's management. Our responsibility is to express an opinion on Tuscola Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tuscola Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Tuscola Intermediate School District's compliance with those requirements.

In our opinion, Tuscola Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2007-3.

INTERNAL CONTROL OVER COMPLIANCE

The management of Tuscola Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Tuscola Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Tuscola Intermediate School District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

To the Board of Education
August 31, 2007

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Tuscola Intermediate School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Tuscola Intermediate School District's response and accordingly, we express no opinion on them.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Tuscola Intermediate School District as of and for the year ended June 30, 2007, and have issued our report thereon dated August 31, 2007. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Tuscola Intermediate School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

TUSCOLA INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2007
Title I	84.010	0615300506 0715300607	\$ 26,224		\$ 22,640	\$ 3,584	\$ 3,584	-
			29,475			13,383	13,603	\$ 220
			55,699	-	22,640	16,967	17,187	220
Title V	84.298	0602500506	4,266			4,166	4,266	100
			4,266	-	-	4,166	4,266	100
Public Law 94-142	84.027 *	070450 0604500506 070490TS 070480ECOSD	2,389,765			1,559,425	1,682,872	123,447
			2,380,821	\$ 89,769	1,639,659	780,641	741,162	50,290
			70,000			59,680	70,000	10,320
			50,000			50,000	50,000	-
			4,890,586	89,769	1,639,659	2,449,746	2,544,034	184,057
Preschool Incentive	84.173 *	0604600506 0704600506	118,670	9,328	109,704	18,294	8,966	-
			117,104			86,221	98,283	12,062
			235,774	9,328	109,704	104,515	107,249	12,062
Infant/Toddler	84.181	061340190 071340190	82,550			62,210	81,470	19,260
			82,550	-	-	62,210	81,470	19,260
Title II A	84.367	0605200506	632				632	632
			632	-	-	-	632	632
Tech Prep - Perkins	84.243A	7014-11	128,758			103,965	128,758	24,793
			128,758	-	-	103,965	128,758	24,793

* = cluster

(Continued)

TUSCOLA INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2007
U.S. DEPARTMENT OF EDUCATION: Passed through Michigan Dept. of Education:	84.186	628600506 728600607	\$ 140,916	\$ 6,000	\$ 106,208	\$ 40,000	\$ 34,000	-
			101,051			25,983	75,871	\$ 49,888
			241,967	6,000	106,208	65,983	109,871	49,888
Passed through Sanilac ISD:								
Secondary CTE Perkins	84.048A	6012-11	122,532			122,532	122,532	-
			122,532	-	-	122,532	122,532	-
Passed through Michigan Jobs Commission:								
MJC Rehabilitation Services	84.126	MDCD-RS-07	30,000			22,685	22,685	-
			30,000	-	-	22,685	22,685	-
Passed through Huron ISD:								
Tech Prep - Perkins	84.243A	6014-11	39,799	4,861		4,861	-	-
			39,799	4,861	-	4,861	-	-
Entrepreneurship Grant								
Adult Ed & Family Literacy	84.048A	6016-4	3,778	953		953	-	-
			3,778	953	-	953	-	-
Passed through Lapeer ISD:								
Adult Ed & Family Literacy	84.002A	511085051130	29,200	5,521		5,521	-	-
			36,564			28,716	28,716	-
Passed through Macomb ISD:								
MIBLSI Grant	84.027		6,500	(2,358)	4,142	(2,358)	-	-
			6,500	(2,358)	4,142	(2,358)	-	-

(Continued)

TUSCOLA INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2007
U.S. DEPARTMENT OF EDUCATION:								
Passed through Vassar Community Schools Title I	84.010	0717000607	\$ 44,976 44,976	-	-	\$ 44,976 44,976	\$ 35,070 35,070	\$ (9,906) (9,906)
TOTAL U.S. DEPARTMENT OF EDUCATION			5,953,581	\$ 114,074	\$ 1,882,353	3,035,438	3,202,470	281,106
U.S. DEPARTMENT OF AGRICULTURE:								
Passed through Michigan Fitness Foundation: PeNut	10.561	07-99002	102,179			33,071	50,627	17,556
Passed through M.D.E. Commodity: Supplemental Food Program National School Lunch	10.550 10.555		4,789	1,987	4,789 41,076	4,789 40,793		- 1,704
			4,789	1,987	45,865	45,582		1,704
Passed through Thumb Area Michigan Works: Staffing Grant	10.561		126		126		126	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			107,094	1,987	-	79,052	96,335	19,260
U.S. DEPARTMENT OF INTERIOR, FISH, AND WILDLIFE SERVICE: Clean School Bus USA	66.036		50,000 50,000	-	-	-	20,832 20,832	20,832 20,832
TOTAL U.S. DEPARTMENT OF INTERIOR, FISH, AND WILDLIFE SERVICE			50,000	-	-	-	20,832	20,832

(Continued)

TUSCOLA INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2007
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES:								
Passed through Michigan Department of Social Services:								
Medicaid Cluster:	93.778		\$ 24,902	\$ 17		\$ 14,227	\$ 25,280	\$ 11,070
Transportation			76,288			76,288	76,288	-
Administrative Outreach			101,190	17	-	90,515	101,568	11,070
Passed through Michigan Department of Community Health:								
Michigan Abstinence Partnership Program	93.235	05-06 06-07	131,688		\$ 102,026	29,662	29,662	-
			127,500			63,518	96,535	33,017
			259,188	-	102,026	93,180	126,197	33,017
Health Ed - Medicaid portion	93.778		26,956			20,216	26,955	6,739
Passed through Thumb Area Michigan Works: T.A.N.F. - Staffing Grant	93.558		57,700			57,700	57,700	-
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			445,034	17	102,026	261,611	312,420	50,826
U.S. DEPARTMENT OF LABOR:								
Passed through Thumb Area Michigan Works:								
Reed	17.225	TAMWA	6,676			6,676	6,676	-
WIA Youth Activities	17.259		16,412			16,412	16,412	-
Employment Services	17.207		71,300	28,479		81,611	71,300	18,168
WIA Adult Program	17.258		49,573			36,915	49,573	12,658
Career Prep 2004	17.259	TAMWA-05		33,580		33,580		-
Career Prep 2006	17.259	TAMWA-06	80,000			36,006	77,843	41,837
Summer Youth 2004	17.259			20,000		20,000		-
Summer Youth 2007	17.258 / 17.259 / 17.260	TAMWA	20,000			5,000	19,184	14,184
WIA Dislocated Worker	17.260		24,179			24,179	24,179	-
WIA Industrial Coord.	17.260		18,559			18,559	18,559	-
WIA State Wide Activities	17.258 / 17.259 / 17.260		26,956			26,956	26,956	-
TOTAL U.S. DEPARTMENT OF LABOR			313,655	82,059	-	305,894	310,682	86,847
GRAND TOTAL			\$ 6,869,364	\$ 198,137	\$ 1,984,379	\$ 3,682,005	\$ 3,942,739	\$ 456,871

The accompanying notes are an integral part of this schedule.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

<u>PASS-THROUGH GRANTEE</u>	<u>CFDA NUMBER</u>	<u>STATE PASS-THROUGH NUMBER</u>	<u>CURRENT YEAR PASS-THROUGH</u>
<u>DRUG FREE SCHOOLS & COMMUNITIES</u>	84.186	052860/0405	
Akron-Fairgrove			\$ 802
Bad Axe			2,771
Carsonville-Port Sanilac			1,500
Croswell-Lexington			4,178
Deckerville			1,931
Harbor Beach			2,858
Kingston			1,594
Marlette			3,000
North Huron			1,399
Peck			1,191
Reese			750
Sandusky			2,992
Ubley			1,859
Unionville-Sebewaing			2,123
Vassar			1,506
			<u>\$ 30,454</u>
<u>TECH PREP - PERKINS (FROM HURON ISD)</u>	84.243	501411	
Akron-Fairgrove			\$ 2,000
Caro			2,841
Cass City			2,696
Delta College			3,000
Huron ISD			23,483
Kingston			2,383
Lapeer			30,790
Mayville			2,574
Millington			3,692
Reese			3,189
Sanilac ISD			24,366
Unionville-Sebewaing			2,000
Vassar			4,510
			<u>\$ 107,524</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Tuscola Intermediate School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Special Education IDEA, CFDA 84.027, and Special Education Preschool, CFDA 84.173A Cluster were audited as major programs and represent 67% of expenditures.
2. The threshold for distinguishing Type A and B programs was \$300,000.
3. Expenditures on this schedule reconcile with amounts reported in the financial statements and financial reports submitted to the Michigan Department of Education.
4. Management has utilized the R7120, Grant Section Auditors' Report, in preparing the schedule of expenditures of federal awards.
5. The amounts reported on the Receipt Entitlement Balance Report agree with this schedule for USDA donated food commodities.

NOTE 3 – RECONCILIATION OF FEDERAL REVENUE

The current year expenditures on the Schedule of Expenditures of Federal Awards agrees to the federal revenue reported in the financial statements, as follows:

Federal revenue per financial statements	<u>\$3,942,739</u>
Federal expenditures per Schedule of Federal Awards	<u>\$3,942,739</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified: X Yes No
 - Significant deficiency(ies) that are not considered to be material weakness? X Yes None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: Yes X No
 - Significant deficiency(ies) that are not considered to be material weakness? X Yes None reported

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? X Yes No

Identification of major programs:

CFDA Number(s)

84.027A
84.173A

Name of Federal Program or Cluster

Special Education IDEA
Special Education Preschool

Dollar threshold used to distinguish between type A and Type B Programs:

\$300,000

Auditee qualified as low-risk auditee?

 X Yes No

(Continued)

TUSCOLA INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

Section II – Financial Statement Findings

Finding considered material weaknesses

• **Finding 2007-1**

Criteria:

Effective for the year ended June 30, 2007, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Condition:

After considering the qualifications of the accounting personnel of Tuscola Intermediate School District, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the School District, but they do not have the qualifications and abilities to generate financial statements, including required footnotes, in accordance with accounting principles generally accepted in the United States of America.

Effect:

We assist management with the external financial reporting responsibility to ensure their financial statements are accurate.

Cause:

The staff of the district does understand all information included in the annual financial statements; however, we assist in preparing the financial statements and related footnotes.

Recommendation:

We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a material weakness as defined in Statement on Auditing Standards #112.

Client Response: We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.

(Continued)

TUSCOLA INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

Section II – Financial Statement Findings

Finding considered a significant deficiency

• **Finding 2007-2**

Criteria:

At June 30, 2007, the District's bank account did not balance by approximately \$20,000.

Condition:

Adjustments were not made to accurately reflect the transactions taking place during June.

Effect:

Inaccurate financial information may be used for management's decisions and report.

Cause:

The accounting staff spent considerable time searching for the problem, but could not identify the cause of the discrepancy.

Recommendation:

We do not recommend any changes to this situation at this time. The District's accounting staff spent countless hours searching for the cause. A review of prior months reconciliation's revealed the account had been reconciled in a timely fashion.

Client Response: We are aware of this deficiency and believe it was not cost beneficial to spend any additional time on this matter. We will continue to reconcile all bank accounts each month.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

Section III – Federal Award Findings and Questioned Costs

Finding considered a significant deficiency

- **Finding 2007-3**

Federal Programs: Title I, CFDA #84.010 & IDEA PL94-142, CFDA #84.027

Specific Requirement:
Cash Management

Criteria:
The grants in questions allow for cash advances for up to three days of cash needs.

Condition:
The District's accounting staff requested \$100,000 of IDEA PL94-142 funds in excess of its immediate cash needs. In addition, the District was overpaid \$9,900 by another district (Tuscola Intermediate School District was a sub-recipient) on a Title I program.

Questioned Costs:
The District may owe interest income earned on these advances back to the Michigan Department of Education. The excess cash was not refunded.

Content:
The IDEA 94-142 overpayment was a result of an error in the report the State provides to the District by which the District requests the funds. The amount paid year-to-date was under reported by \$100,000 resulting in the over-requested amount. In the Title I case, the district responsible for the grant passed the money through to the Tuscola Intermediate School District before it was requested. In both cases, the overpayments should have been refunded.

Effect:
The District received the benefit of interest earnings on the unspent federal funds.

Cause:
Premature request of funds that could not be spent within the subsequent three days.

Recommendation:
The District's current practice is to request funds each month after the federal expenditures are made. We recommend that the District monitor their year-to-date funds received by project and cross-reference this information to the state report that is generated. Any inadvertent overpayments should be refunded in a timely manner.

Client Response: We are aware of the three-day rule regarding the request for federal funds, but were unaware that accidental overpayments should be refunded. If the District is overpaid in the future, they will be promptly refunded.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

August 31, 2007

To the Board of Education
Tuscola Intermediate School District
Caro, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of Tuscola Intermediate School District as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the school district's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements, will not be prevented or detected by the school district's internal control.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

The following comments relate to certain of the school district's accounting, financial and administrative policies and procedures that we observed during the course of our audit. These matters are not considered significant deficiencies or material weaknesses as defined by professional standards.

IRS 403(b) Final Regulations

Intent

The intent of the regulations is to consolidate guidance on §403(b) plans issued since 1964.

Effective Date

These regulations are generally effective for taxable years beginning after December 31, 2008. Plan documents should be in place December 31, 2008 to be implemented as of January 1, 2009.

Written Plan Document

The IRS is working on a model plan document and guidance for school districts. This should contain the provisions necessary for compliance with the new rules.

A plan may consist of several documents, or make reference to other documents, such as annuity contracts and custodial agreements. The employer must ensure that there are no conflicts or inconsistencies between the documents.

The document must contain eligibility rules, benefits available, limitations, allowable vendors, and time and form distributions.

The document must allocate administrative and compliance responsibilities to the employer and/or designated third parties. The plan may not allocate compliance responsibilities to the participants.

Other Provisions

- Exchange of investment products
- Universal availability
- Distributions
- Terminations

Suggestions

Set up a committee of benefit officials and participants to review the current plan and design the future plan.

Determine if you need a third party administrator (TPA) to administer the plan and create a request for proposal (RFP) for services.

Offer employee education. The IRS is developing this type of information as well as a model plan for school districts.

New Auditing Standards

Recently, 10 new auditing standards have been released and are effective, or will become effective for your June 30, 2008 year-end. In reviewing the new standards, they will have an impact on our overall audit approach. The trend is to perform audit procedures utilizing more of a risk based approach. One area that will continue to be emphasized is your internal controls.

New Interpretation Of Deferred Compensation Rules Applicable To Teachers And Similar Employees

In August of 2007, the IRS issued new questions and answers related to deferred compensation that can affect teachers and similar employees.

When employees can elect to defer part of their compensation to a future year, they are generally subject to the rules applicable to deferred compensation under the Internal Revenue Code. These payments could be subject to an additional 20% tax if the specified procedures are not followed. For example, school employees who work 10 months but are paid over 12 months would be deferring compensation into a future year.

These rules are not applicable unless an election must be made. If a school district provides that all employees must spread their pay over 12 months, these rules do not apply.

In order to avoid imposition of extra taxes, the employees must give a written or electronic election to notify the employer that they want to spread out the compensation. This election must be provided before the start of the school year and must be irrevocable. The election must state how the compensation is going to be paid (for example, ratably over the 12 months starting with the beginning of the school year). This election does not need to be made for future years if the arrangement provides that the election will remain in place until the employee elects a change. These rules are effective January 1, 2008. Therefore, they are not applicable until the election for the 2008 – 2009 school year.

Signature Stamp

Nearly all District checks are signed with a signature stamp. During our review of internal control procedures, we noted that blank checks and the signature stamp are all kept in the District vault. The vault is unlocked during the day and all employees have access. We recommend that the signature stamp be kept in a more secure location and that access to it be limited to only those who are authorized.

We appreciate the opportunity to be of service to the school district. The cooperation extended to us by your staff throughout the audit was greatly appreciated. We look forward each year to continuing our relationship with Tuscola Intermediate School District. Should you wish to discuss any item included in this letter further, we would be happy to do so.

This communication is intended solely for the information and use of management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.

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Certified Public Accountants